

SBA'S NEW MARKETS INITIATIVES

President Clinton's New Markets Initiative is a sweeping new public/private partnership designed to boost business opportunities in underserved rural and inner city communities. The key elements include: tax credits, loan guarantee incentives, a network of private venture capital companies, and technical assistance and mentoring programs.

SBA defines New Markets as current and prospective small businesses owned by minorities, women, veterans and handicapped individuals, who are underrepresented in the population of business owners compared to their representation in the overall population, as well as businesses located or locating in low- and moderate-income urban and rural areas.

The President's New Markets Initiative includes:

- **New Markets Tax Credits**, worth up to 25 percent for investments in a wide range of investment vehicles serving these communities, including community development banks, venture funds and corporations, and other targeted investment funds.
- **New Markets Venture Capital Companies (NMVCs)**, operating in a manner similar to the SBA's Small Business Investment Company (SBIC) program, will combine equity venture capital financing and technical assistance to smaller businesses located in low- and moderate-income (LMI) areas. SBA's program of between 10 and 20 NMVCs would have up to \$100 million in SBA-backed funding and \$30 million in technical assistance grants.
- **LMI Investments and Outreach Workshops** – SBA will create a new funding mechanism to provide financial incentives to encourage SBICs and Specialized SBICs to invest in low- and moderate-income (LMI) areas. The funding will be provided to licensees in amounts that match the level of their investments in small businesses that: 1) are located in LMI areas, or 2) hire at least 35 percent of their workforce from among residents of LMI areas.

SBA also has organized a series of workshops to recruit potential SBIC investors and management teams with experience in investing in small businesses in LMI areas. Beginning in late March, workshops are scheduled for Chicago, Kansas City, New York, Atlanta, Dallas and San Francisco.

- **America's Private Investment Companies (APICs)**, modeled on the Overseas Private Investment Corporation, will provide up to \$1.5 billion per year in combined private capital and government-backed funding to finance equity capital investment incentives for the creation or relocation of large-scale businesses in inner cities and rural areas. The program will be a Department of Housing and Urban Development (HUD) program administered jointly by HUD and SBA.
- **BusinessLINC Initiative**, a partnership between SBA, the Treasury Department and the business community to encourage large businesses to work with small business owners and entrepreneurs as technical advisors and mentors – especially in America's rural areas and inner cities.
- **New Markets Lending Companies (NMLCs)**, a pilot program to involve approximately 10 non-depository lending institutions that will make SBA-guaranteed loans under the 7(a) loan program targeted to New Market small businesses.